

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

KILLONA, LOUISIANA

**Basic Financial Statements
With Required Supplemental Information
And Independent Auditor's Reports**

As of and for the Year Ended December 31, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-2-06



(A Professional Corporation)
501 Canal Boulevard, Thibodaux, LA 70301
(985) 447-8507 Fax (985) 447-4833
kearnscpa@kearnscpa.com
www.kearnscpa.com

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Basic Financial Statements With Supplemental Information Schedules and Independent Auditor's Report

As of and for the year ended December 31, 2005

TABLE OF CONTENTS

	Statement	Page
<u>Financial Section:</u>		
Independent Auditor's Report		3
<u>Required Supplemental Information (Part 1 of 2)</u>		
Management's Discussion and Analysis		5
<u>Basic Financial Statements:</u>		
<u>Government-wide Financial Statements</u>		
Statement of Net Assets	A	9
Statement of Activities	B	10
<u>Fund Financial Statements</u>		
Balance Sheet – Governmental Funds	C	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	D	12
Reconciliation of the Governmental Fund Balance Sheet to the Government-wide Statement of Net Assets		13
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds to the Statement of Activities		14
Notes to the Financial Statements		15

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Basic Financial Statements With Supplemental Information Schedules and Independent Auditor's Report

As of and for the year ended December 31, 2005

	Schedule	Page
<u>Required Supplemental Information (Part 2 of 2)</u>		
Notes to Required Supplemental Information		25
<u>Supplemental Information Schedules:</u>		
Summary Schedule of Prior Audit Findings - 0412-01	1	26
Corrective Action Plan for Current Year Audit Findings - 0512-01	2	27
<u>Other Report Required By Government Auditing Standards:</u>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		28
<u>Management Letter:</u>		
Management Letter		30
Corrective Action Plan Relative to Management Letter Items		31



INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Killona Volunteer Fire Department, Inc.
Killona, Louisiana**

We have audited the accompanying financial statements of the governmental activities and major fund of Killona Volunteer Fire Department, Inc. as of and for the year ended December 31, 2005, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Killona Volunteer Fire Department, Inc.'s management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Killona Volunteer Fire Department, Inc., as of December 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2006, on our consideration of Killona Volunteer Fire Department, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

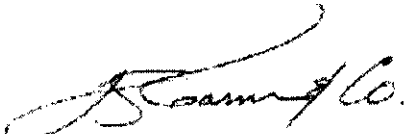
The Fire Department has not presented the budgetary comparison information which is supplementary information required by accounting principles generally accepted in the United States of America because the Fire Department is a non-profit quasi-public entity and is not bound by the Louisiana Statutes for budgeting.

TIMOTHY S. KEARNS
MASTER OF BUSINESS ADMINISTRATION
CERTIFIED PUBLIC ACCOUNTANT

(A Professional Corporation)
501 Canal Boulevard, Thibodaux, LA 70301
(985) 447-8507 Fax (985) 447-4833
kearnscpa@kearnscpa.com
www.kearnscpa.com

The management's discussion and analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Killona Volunteer Fire Department, Inc.'s basic financial statements. The accompanying supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Thibodaux, Louisiana
June 27, 2006

Required Supplemental Information
(Part 1 of 2)

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis For the year ended December 31, 2005

Our discussion and analysis of the Killona Volunteer Fire Department, Inc.'s (hereafter referred to as the Fire Department) financial performance provides an overview of the Fire Department's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Fire Department's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Based upon the operation of 2005, the Fire Department's net assets increased by \$25,520 and resulted in ending net assets of \$1,179,908.
- Cash and investments and cash on hand at the end of the year were \$78,559 higher than last year.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities found on pages 9 and 10 provide information about the financial activities of the Fire Department and illustrate a longer-term view of the Fire Department's finances. Fund financial statements start on page 11. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the Fire Department's operations in more detail than the government-wide sections of the statements by providing information about the Fire Department's significant funds.

A. REPORTING ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

1. The Statement of Net Assets and the Statement of Activities

The government-wide financial statements present financial information for the activities of the Fire Department from an economic resources measurement focus using the accrual basis of accounting. They present governmental activities, such as general government, separately from business-type activities. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Fire Department's net assets and the change in them. These net assets, the difference between the assets and the liabilities, are ways to measure the Fire Department's financial position or financial health. Over time, increases or decreases in the Fire Department's net assets are indicators of whether its financial health is improving or deteriorating.

B. REPORTING ON THE FIRE DEPARTMENT'S MOST SIGNIFICANT FUNDS

1. Fund Financial Statements

The fund financial statements provide detailed information about the Fire Department's General Fund. All of the Fire Department's expenditures are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method, which

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis For the year ended December 31, 2005

measures cash and all other financial assets that could readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Fire Department's general operations and the expenditures paid from this fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future Fire Department expenditures. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in reconciliations on pages 13 and 14.

AN ANALYSIS OF THE FIRE DEPARTMENT USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

A. STATEMENT OF NET ASSETS

The following amounts reflect condensed information on the Fire Department's net assets:

	2005	2004
ASSETS		
Current assets	\$ 423,106	\$ 337,671
Capital assets, net of accumulated depreciation	765,822	818,574
Total assets	\$ 1,188,928	\$ 1,156,245
LIABILITIES		
Current liabilities	\$ 9,021	\$ 1,857
Total current liabilities/Total liabilities	\$ 9,021	\$ 1,857
NET ASSETS		
Investment in capital assets, net of related debt	\$ 765,823	\$ 818,574
Restricted for prepaid expenses	12,262	11,582
Unrestricted	401,822	324,232
Total net assets	\$ 1,179,907	\$ 1,154,388

- Cash and investments and cash on hand at the end of the year were \$78,559 higher than last year. This was primarily due to the Fire Department trying to save money so that it can afford capital assets in the years to come.
- At the end of the year, the Fire Department had capital assets, net of accumulated depreciation in the amount of \$765,822. This was made up of \$1,393,870 in capital assets and \$628,048 in accumulated depreciation.
- At the end of the year, the Fire Department had restricted net assets for prepaid insurance.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2005

B. STATEMENT OF ACTIVITIES

The following table illustrates the revenues and expenses that produced the increase in net assets for the fiscal year.

	<u>2005</u>	<u>2004</u>
Revenue		
General revenue	<u>\$ 183,251</u>	<u>\$ 179,186</u>
Total revenue	<u>183,251</u>	<u>179,186</u>
Expenses		
Public safety - fire protection	<u>157,732</u>	<u>143,624</u>
Total expenses	<u>157,732</u>	<u>143,624</u>
Change in net assets	<u>25,519</u>	<u>35,562</u>
Net assets:		
Beginning of the year	<u>1,154,388</u>	<u>1,118,826</u>
End of the year	<u><u>\$ 1,179,907</u></u>	<u><u>\$ 1,154,388</u></u>

- Based upon the operation of 2005, the Fire Department's net assets increased by \$25,519 and resulted in ending net assets of \$1,179,907.
- Total revenue for the year was \$4,065 higher than 2004. This was primarily because of an increase in sales tax revenue.
- Total expenses for the year were \$14,108 higher than 2004. This was primarily because of an increase in insurance and maintenance expenses.

GOVERNMENTAL FUND

The Fire Department uses funds to help control and manage money for particular purposes. At the completion of the year, the Fire Department's governmental fund reported a fund balance of \$276,736. This reflects an increase of \$74,734 from last year. The increase in fund balance was caused by the Fire Department trying to save money so that it can afford capital assets in the years to come.

CAPITAL ASSETS AND LONG-TERM DEBT

During the year, the Fire Department purchased \$10,677 of capital assets. Depreciation expense for the year was \$63,428. The total capital assets, net of accumulated depreciation, were \$765,822 as of December 31, 2005.

During the year, the Fire Department had no long-term debt activity.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis

For the year ended December 31, 2005

GENERAL FUND BUDGETARY HIGHLIGHTS

Because the Fire Department is a quasi-public entity, it does not have to comply with state laws regarding budgeting.

ECONOMIC FACTORS FOR NEXT YEAR

- The Fire Department plans to increase its fire training and fire prevention training.
- The Fire Department will also begin the process of purchasing a new chief's car.
- The Fire Department will also begin the planning process of building a substation on the land that was donated to the Fire Department in 2003.
- The Fire Department will also begin the planning process of purchasing a new rescue truck.
- The Fire Department plans to purchase a heavy duty pickup truck to replace the salvage van.

CONTACTING THE FIRE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Fire Department's finances and to show the Fire Department's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Mr. Saviour Cannon, Chief, P.O. Box 443, Hahnville, Louisiana 70057.

CLOSING COMMENTS

The Fire Department continues to closely monitor the use of its funds to ensure that the funds are spent wisely. We are very proud of the progress that has been made throughout the parish in fire protection to all our citizens.

Basic Financial Statements

Basic Financial Statements

Government-Wide Financial Statements

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

Statement of Net Assets
December 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 254,640
Cash on hand	8,678
Prepaid expenses	12,262
Receivables:	
Ad valorem taxes	137,349
Sales taxes	<u>10,177</u>
Total current assets	423,106
Fixed assets	
Capital assets, net of accumulated depreciation	<u>765,822</u>
Total fixed assets	<u>765,822</u>
Total assets	<u>\$ 1,188,928</u>
LIABILITIES	
Current liabilities:	
Accounts payable to various vendors	<u>\$ 9,021</u>
Total current liabilities/Total liabilities	<u>\$ 9,021</u>
NET ASSETS	
Investment in capital assets, net of related debt	\$ 765,823
Restricted for prepaid expenses	12,262
Unrestricted	<u>401,822</u>
Total net assets	<u>\$ 1,179,907</u>

The accompanying notes are an integral part of this statement.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

Statement of Activities
For the Year Ended December 31, 2005

		<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating Grants</u>	
	<u>Expenses</u>	<u>Services</u>	<u>& Contributions</u>	<u>Total</u>
Expenses:				
Governmental activities:				
Public safety - fire protection:				
Repairs and maintenance	\$ 19,067	\$ 0	\$ 0	\$ 19,067
Professional fees	3,977	0	0	3,977
Insurance	17,607	0	0	17,607
Fuel	1,921	0	0	1,921
Supplies and materials	2,571	0	0	2,571
Utilities and telephone	16,498	0	0	16,498
Personnel	22,903	0	0	22,903
Dues and subscriptions	194	0	0	194
Office expense	293	0	0	293
Installation of officers	5,079	0	0	5,079
Meals	4,000	0	0	4,000
Miscellaneous	194	0	0	194
Depreciation expense	63,428	0	0	63,428
Total governmental activities	\$ 157,732	\$ 0	\$ 0	\$ 157,732

General Revenues:

Ad valorem tax	\$ 127,266
Sales tax	48,266
Interest income	3,487
Insurance proceeds	3,608
Miscellaneous income	624

Total general revenues \$ 183,251

Change in net assets 25,519

Net assets:

Beginning of the year 1,154,388

End of the year \$ 1,179,907

The accompanying notes are an integral part of this statement.

Basic Financial Statements

Fund Financial Statements

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

Balance Sheet - Governmental Fund
December 31, 2005

	General Fund
ASSETS	
Cash and investments	\$ 254,640
Cash on hand	8,678
Prepaid expenditures	12,262
Receivables:	
Ad valorem taxes	137,349
Sales taxes	10,177
Total Assets	<u>\$ 423,106</u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable to various vendors	\$ 9,021
Deferred revenue	137,349
Total liabilities	<u>\$ 146,370</u>
Fund equity and other credits	
Fund balance:	
Reserved for prepaid	\$ 12,262
Unreserved - undesignated	264,474
Total fund equity and other credits	<u>\$ 276,736</u>
Total liabilities, fund equity and other credits	<u>\$ 423,106</u>

The accompanying notes are an integral part of this statement.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

Statement Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
For the Year Ended December 31, 2005

	General Fund
REVENUES	
Ad valorem tax	\$ 123,430
Sales tax	48,266
Interest	3,487
Other revenue	624
Total revenues	<u>\$ 175,807</u>
EXPENDITURES	
Public safety - fire protection:	
Current:	
Repairs and maintenance	\$ 19,067
Professional services	3,977
Insurance	17,607
Fuel	1,921
Materials and supplies	2,571
Utilities and telephone	16,498
Personnel	22,903
Dues and subscriptions	194
Office expenses	293
Installation of officers	5,079
Meals	4,000
Miscellaneous	194
Capital Outlay:	
Equipment purchase	10,677
Total expenditures	<u>\$ 104,981</u>
Excess of revenues over/(under) expenditures	<u>\$ 70,826</u>
Other financing sources	
Insurance claim	\$ 3,608
Total other financing sources	<u>\$ 3,608</u>
Excess of revenues and other financing sources over/(under) expenditures	<u>\$ 74,434</u>
Fund balance	
Beginning of year	202,302
End of year	<u>\$ 276,736</u>

The accompanying notes are an integral part of this statement.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

**Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Assets
December 31, 2005**

Total Fund Balances - Governmental Funds	\$ 276,736
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet	765,822
Ad valorem taxes will be collected after year end; but, they are not available soon enough to pay for the current period expenditures; therefore they are reported as deferred revenue in the fund financial statements.	<u>137,349</u>
Total Net Assets - Governmental activities	<u>\$ 1,179,907</u>

The accompanying notes are an integral part of this statement.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended December 31, 2005**

Net Change in Fund Balances - Governmental Funds	\$	74,434
--	----	--------

Amounts reported for governmental activities in the Statement of
Activities are different because:

Governmental funds report capital outlays as expenditures. However, in
the statement of activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Capital assets purchased	\$	10,677	
Depreciation expense		<u>(63,428)</u>	(52,751)

Ad valorem tax revenue in the statement of activities that do not provide
current resources is not reported as revenue in the fund financial
statements.

3,836

Change in Net Assets - Governmental activities	\$	<u>25,519</u>
--	----	---------------

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
As of and for the year ended December 31, 2005

INTRODUCTION

The Killona Volunteer Fire Department, Inc. (Fire Department) was organized as a non-profit quasi-governmental corporation to provide fire protection to the Parish of St. Charles. The Fire Department is exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The Fire Department's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Fire Department are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.

- The financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Fire Department's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Fire Department's activities.

The Fire Department implemented this Statement No. 34 in its fiscal year that ended December 31, 2004.

B. Reporting entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The Fire Department is not a governmental unit although it receives a substantial amount of its revenue from the St. Charles Parish Council. As a result of a contractual agreement, the Fire Department is accountable to the Parish Council for fiscal matters. The St. Charles Parish Council does not appoint the governing board, or management. The Fire Department reports as an independent reporting entity.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
As of and for the year ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statements - Government-wide Statements

The Fire Department's basic financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Fire Department's general fund is its only fund and is classified as a governmental activity. The Fire Department has no business-type activities.

In the government-wide Statement of Net Assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Department's net assets are reported in two parts—invested in capital assets, net of related debt and unrestricted net assets.

The government-wide Statement of Activities reports the costs of the Fire Department's functions. General government revenues support the functions. The Statement of Activities also reports the change in net assets for the period shown.

This government-wide focus is more on the sustainability of the Fire Department as an entity and the change in the Fire Department's net assets resulting from the current year's activities.

D. Basic Financial Statements - Fund Financial Statements

The Fire Department uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the Fire Department are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of the only existing fund type follow:

Governmental Funds

Governmental funds account for the Fire Department's entire general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. The general fund is the operating fund of the Fire Department and accounts for all financial resources. It is the Fire Department's only governmental fund.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
As of and for the year ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting / Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

F. Budgets and Budgetary Accounting

The Fire Department does not have to comply with state laws regarding budgeting.

G. Cash and Cash Equivalents

Under state law, the department may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Cash and cash equivalents, which include interest bearing demand deposit accounts and certificates of deposit with an original maturity of less than 90 days, are stated at cost, which approximates fair market value.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
As of and for the year ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Investments

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

The Fire Department's only investment is a certificate of deposit, with an original maturity of greater than 90 days, which is stated at cost which approximates market. Investments in certificates of deposit are reported at cost because they are "nonparticipating" interest-earning investment contracts as discussed in GASB 31. The term "nonparticipating" means that the investment value does not vary with market interest rate changes. Investments which include securities traded on a national or international exchange are valued based on their last reported sales price (fair value). Investments that do not have an established market are reported at estimated fair value.

I. Inventories

Physical inventories consist of expendable supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

J. Receivables

The financial statements of the Fire Department do not contain an allowance for uncollectible receivables because management believes all amounts will be collected. However, if management becomes aware of information that would change its assessment about the collectibility of any receivable, management would write off the receivable as a bad debt at that time.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
As of and for the year ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings	40 years
Building improvements	10 - 40 years
Equipment	5 - 15 years
Vehicles	5 - 15 years

In June of 1999, the Governmental Accounting Standards Board issued Statement No. 34 that requires the inclusion of infrastructure assets used in governmental activities in the general purpose financial statements retroactively reported back to 1982. All assets of the Fire Department are reported in the accompanying financial statements. The Fire Department owns no infrastructure.

M. Long-Term Obligations

In the government-wide financial statements, debt and principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt and principal payments of governmental funds are recognized as expenditures when paid.

N. Net Assets/Fund Balances

In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets is as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Assets

This component consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The Fire Department has net assets restricted for prepaid insurance.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
As of and for the year ended December 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Net Assets/Fund Balances

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

When both restricted and unrestricted resources are available for use, it is the Fire Department's policy to use restricted resources first to finance its activities.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

Reserved

These resources are segregated because their use is earmarked for a specific use. The Fire Department has not reserved fund balances.

Unreserved

This category represents that portion of equity not appropriable for expenditures or legally segregated for a specific future use.

NOTE 2. CASH AND INVESTMENTS

At December 31, 2005, the Fire Department has demand deposits and certificates of deposit (book balances) totaling \$254,640, as follows:

<u>Cash & Investments</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Credit Risk Category</u>
Cash:					
Hibernia National Bank - Checking	\$ 90,262	\$ 90,262	None	Demand	Category 1
Total Choice Federal CU - share acct	64,378	64,378	2.02%	Demand	Category 1
Total Cash	<u>154,640</u>	<u>154,640</u>			
Investments:					
Certificates of Deposit:					
Hibernia National Bank	<u>100,000</u>	<u>100,000</u>	3.00%	3/20/2006	Category 1 & 3
Total Investments	<u>100,000</u>	<u>100,000</u>			
Total Cash & Investments	<u>\$ 254,640</u>	<u>\$ 254,640</u>			

The Fire Department's only investment is a certificate of deposit.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
As of and for the year ended December 31, 2005

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities must be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year-end, the total balances of the Fire Department's checking accounts (bank balances) and certificates of deposits at the two institutions that the Fire Department has accounts with totaled \$255,279. The total amount secured by FDIC insurance (Category 1) was \$164,378. The remaining \$90,901 was uninsured but was collateralized by securities pledged by the bank and held for the benefit of the Fire Department by the Federal Reserve Bank in New Orleans (Category 3) thereby eliminating their credit risks.

NOTE 3. CASH ON HAND

The Department had an amount as cash on hand at December 31, 2005, because of two checks for sales taxes that were received before the year end that were not deposited until after year end. The amounts of the check were for \$4,670.87 and \$4,006.74 and they were deposited on January 3 and February 7 of 2006.

NOTE 4. REVENUE RECEIVABLES

The receivables at December 31, 2005 consisted of ad valorem taxes in the amount of \$137,349, and sales taxes in the amount of \$10,177.

NOTE 5. PREPAID EXPENSES

At year-end, prepaid expenditures and prepaid expenses consisted of insurance premiums paid that were not fully used in 2005 in the amount of \$12,262. Due to the fact that all of the premiums will be consumed in the next fiscal year, the amounts for both the expenditures and expenses are identical. At year-end, portions of net assets and fund balance equal to these prepaid expenditures and expenses have been restricted and reserved until the premiums have been fully used.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
As of and for the year ended December 31, 2005

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance at 12/31/2004	Additions	Deletions	Balance at 12/31/2005
Capital assets not being depreciated:				
Land	\$ 30,000	\$ 0	\$ 0	\$ 30,000
Total capital assets not being depreciated	30,000	0	0	30,000
Capital assets being depreciated:				
Buildings	660,137	0	0	660,137
Vehicles	542,427	0	0	542,427
Equipment	150,629	10,677	0	161,306
Total capital assets being depreciated	1,353,193	10,677	0	1,363,870
Less: accumulated depreciation	(564,620)	(63,428)	0	(628,048)
Total capital assets being depreciated, net	788,573	(52,751)	0	735,822
Total capital assets, net	\$ 818,573	\$ (52,751)	\$ 0	\$ 765,822

Depreciation expense for the year was \$63,428.

NOTE 7. FIRE PROTECTION CONTRACT

According to a contract entered into by the St. Charles Parish Fireman's Association, Inc. and the St. Charles Parish Council, the volunteer fire department will provide fire protection to the residents of St. Charles Parish. In exchange for the fire protection provided to the Parish, the Department receives a percentage of the one-eighth cent sales tax. The Department receives a monthly base amount of \$2,500 plus 1.47% of the remaining funds. The total revenue under this agreement for the year ended December 31, 2005 was \$48,266.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
As of and for the year ended December 31, 2005

NOTE 8. AD VALOREM TAX

Effective July 21, 1990, the voters of St. Charles Parish approved a property tax millage in the amount of 1.6 mills. This tax is collected by the St. Charles Parish Sheriff to be used for the fire protection of the Parish of St. Charles. The funds are distributed when collected to the nine individual fire departments of the St. Charles Parish Firemen's Association, Inc. by the parish's Department of Finance. The Fire Department's share of the total property tax for the year ended December 31, 2005 was \$127,266.

The ad valorem tax is levied each year by the St. Charles Parish Assessor on November 15 based upon the assessed value, less homestead exemptions. The 1st day of January preceding the annual levy date (Nov. 15th) is used as the date to value the property subject to tax. The tax becomes due on November 15 and is considered delinquent if not paid by December 31. Most of the property tax revenues are collected during the months of December, January, and February.

Government-wide financial statements

Ad valorem tax revenue is recognized in the year for which the taxes are levied. Revenue is recognized as the current year's assessment less the uncollected portion of the prior year's assessment.

Fund financial statements

The Fire Department does not consider the current year's assessment to be "available" for current year expenditures and budgets the revenue to be used in the year following the assessment, when the majority of the taxes are actually collected.

NOTE 9. INSURANCE CLAIM

During the year, the Fire Department received insurance proceeds from insurance claims it filed for damage caused by Hurricane Katrina. The Fire Department received 2 checks which totaled \$3,608.24.

NOTE 10. LEASES

The Fire Department had no capital leases to be recorded as assets and obligations in the accompanying financial statements.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
As of and for the year ended December 31, 2005

NOTE 11. RISK MANAGEMENT

The Fire Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; illnesses or injuries to its volunteers; and natural disasters. The Fire Department has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the Fire Department's insurance coverage.

The Fire Department's management has not purchased commercial insurance or made provisions to cover or reduce the risk of loss, as a result of business interruption and certain acts of God, like floods or earthquakes.

NOTE 12. LITIGATION AND CLAIMS

At December 31, 2005, the Fire Department had no litigation or claims pending.

Required Supplemental Information
(Part 2 of 2)

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Required Supplementary Information
As of and for the year ended December 31, 2005

NOTE 1. BUDGET COMPARISON SCHEDULE

The Fire Department is not required by law to establish and adhere to a budget.
Therefore, the requirement to present budgetary comparison information is eliminated.

Supplemental Information Schedules

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

**Summary of Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 2005**

Ref. No.

0412-01

Fiscal Year Finding Initially Occurred

All previous years

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Killona Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Taken (Yes, No, Partially)

No

Planned Corrective Action/Partial Corrective Action Taken

None

Additional Explanation

This is a common reportable condition noted in audits of small entities. The Department's office does not employ enough people in its accounting department to adequately segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the reportable condition.

The reportable condition cannot be remedied in a cost effective manner.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

**Summary of Schedule of Current Year Audit Findings
As of and for the Year Ended December 31, 2005**

Ref. No.

0512-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Killona Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Planned

No corrective action plan is taken because of the size of the entity.

Name of Contact Person

Saviour Cannon, Chief

Anticipated Completion Date

None

Additional Explanation

This is a common reportable condition noted in audits of small entities. The Department's office does not employ enough people in its accounting department to adequately segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the reportable condition.

The reportable condition cannot be remedied in a cost effective manner.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

**Board of Directors
Killona Volunteer Fire Department, Inc.
Killona, Louisiana**

We have audited the accompanying financial statements of the governmental activities and major fund of Killona Volunteer Fire Department, Inc. as of and for the year ended December 31, 2005, which collectively comprise Killona Volunteer Fire Department, Inc.'s basic financial statements and have issued our report thereon dated June 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Killona Volunteer Fire Department, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a single matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Killona Volunteer Fire Department, Inc.'s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying corrective action plan for the current year audit findings as item 0512-01 on page 27.

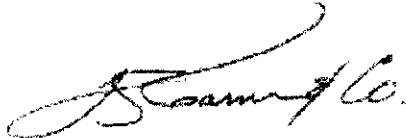
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe that the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Killona Volunteer Fire Department, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a single matter that we reported to management of Killona Volunteer Fire Department, Inc., in a separate letter dated June 27, 2006.

This report is intended solely for the information and use of the Department's Board and those governments for which reporting is required. However, this report is a matter of public record, and its distribution is not limited.



Thibodaux, Louisiana
June 27, 2006

Management Letter



MANAGEMENT LETTER

June 27, 2006

Management
Killona Volunteer Fire Department, Inc.
Killona, Louisiana

To the Management:

We have audited the basic financial statements of Killona Volunteer Fire Department, Inc., Killona, Louisiana, as of and for the year ended December 31, 2005, and have issued our reports thereon dated June 27, 2006.

We noted a certain immaterial instance of noncompliance that, in our opinion, does not warrant being reported in our audit reports. However, to assist Management, we communicate this instance in this management letter.

1. In regards to timely deposits, some cash receipts, in the form of checks, were not deposited on a timely basis. As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the revenue is not available for expenditures or investment. We recommend that deposits be made on a timely basis both to improve cash flow and to reduce the risk of loss.

If you have any questions, or if we can assist you in any way, please call us at 985-447-8507.

Thank you,

A handwritten signature in cursive script, appearing to read "T.S. Kearns & Co.", written in dark ink.

T.S. Kearns & Co., CPA

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Corrective Action Plan Relative to Management Letter Items As of and for the Year Ended December 31, 2005

Timely Deposits

Recommendation:

Some cash receipts, in the form of checks, were not deposited on a timely basis. As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the revenue is not available for expenditures or investment. We recommend that deposits be made on a timely basis both to improve cash flow and to reduce the risk of loss.

Corrective Action:

Killona Volunteer Fire Department will begin to make deposits in a timely manner.

Name of Contact Person

Saviour Cannon, Chief

Anticipated Completion Date

June 27, 2006

Additional Explanation

None